

NATIONAL ECONOMIC DEVELOPMENT  
COUNCIL

# Imported Manufactures

An Inquiry Into Competitiveness



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## IMPORTED MANUFACTURES

### Table of Contents

	Page
I INTRODUCTION .....	1
II REASONS GIVEN FOR INCREASE IN IMPORTS AND INDUSTRIES' PROPOSALS FOR ACTION	
Chemicals .....	8
Paper and Board .....	10
Textiles and Clothing .....	12
Iron and Steel .....	15
Engineering .....	17
Consumer Goods .....	25
Building Materials .....	26
III SUMMARY OF REASONS	
Prices and Costs .....	28
Shortage of Capacity .....	29
Technical Performance .....	29
Marketing .....	29
International Companies .....	30
IV SUMMARY OF INDUSTRIES' PROPOSALS FOR ACTION..	31
APPENDIX TABLES	
Table 1. Imports of manufactures as a percentage of total imports and as a percentage of exports of manufactures .....	36
Table 2. Rates of change of imports and exports and changes in import export relationships, 1954 and 1964 .....	37
DIAGRAMS	
A. Exports and imports of selected manufactured commodities in 1954 and 1964 .....	38
B. Exports and imports of manufactures in 1954 and 1964 ..	40

### **Foreword**

This study of imported manufactures has been prepared by the National Economic Development Office.

The report was presented to the National Economic Development Council by the Director General at its meeting on 2nd June 1965. The Council considered that the report should be published.

*August 1965*

## I INTRODUCTION

1. The National Economic Development Council last year invited the Director General to undertake a study of the competitiveness of British goods. It was decided to concentrate on their ability to compete with imported goods in the domestic market. This was done partly because the relevant data, and the opinions of users, consumers and competing manufacturers in the United Kingdom on the reasons for imports could more readily be collected than could comparable material on exports. It was also thought that the reasons given by British customers for buying imported products would throw light on the factors influencing the competitiveness of exports.

2. Attention was concentrated on imports of manufactured goods,\* since in this field—in contrast to raw materials, fuels and foodstuffs—there are far fewer products for which the United Kingdom must depend substantially upon imports and which it would not be possible to produce competitively here.

3. The evidence on the reasons for the rapidly increasing imports of manufactured goods has been collected by the National Economic Development Office in various ways—through the Economic Development Committees, in the form of memoranda from trade associations, through discussions with other representatives of industry or of other groups of users or consumers, through works visits and, to a small extent, through surveys. The Office would like to record its appreciation of the help given to it by all those concerned.

4. Two general points must be made. The first is that by definition the inquiry concentrates on weak points of British industries and on suggestions for remedies. Successes are deliberately given little space because they are not the subject of the inquiry. Secondly, although the evidence on reasons for imports is in some cases based on the views of United Kingdom producers of the same manufactures, the inquiry has focused mainly on the views of users and importers. In some cases the Economic Development Committees concerned have not accepted the explanations for their preferences given by the users: for example, as regards engineering products. But even if the explanations given are in some cases ill-founded, they are still important as reflecting the factors on which a considerable section of purchasers of imported goods have in fact based their decisions.

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\* "Manufactured goods" are here defined so as to include semi-manufactures (other than non-ferrous metals) as well as finished goods. The main categories are as follows (numbers refer to SIT classifications):

*Semi-manufactures*

5. Chemicals

6. Manufactured goods classified chiefly by material,  
including: paper and board (64)  
textiles (65)  
iron and steel (67)

*Finished goods*

7. Machinery and transport equipment

8. Miscellaneous manufactured articles including:  
clothing, etc. (84)  
footwear, etc. (85)  
instruments, photographic and optical goods,  
watches and clocks (86)

Throughout this study imports are valued c.i.f. and exports f.o.b.

5. The fact that this report concentrates on imports in no way implies that import saving rather than export promotion should be the main aim of industries' efforts or of Government policies affecting international trade. An increasing "import content" of national income has been the rule for virtually all industrialised countries during the post-war period; and international trade in manufactured goods has been rising faster than total trade.\* The increasing specialisation of production which this reflects should, in itself, be beneficial to the countries concerned, tending to promote a more efficient use of resources and to contribute to a faster rise of national income. Thus it is to some extent inevitable that the growth of the economy of the United Kingdom must mean a rising bill, both for imports as a whole and imports of manufactured goods. But it must also include an increase of exports sufficient to raise considerably, as compared with the out-turn in 1964, the surplus on trade in manufactures which form the greater part of our exports.

#### The growth of imports of manufactures

6. Between 1954 and 1964 imports of manufactured goods (including semi-manufactures) into the United Kingdom more than trebled in value. Their share in total imports approximately doubled; this rising share was only to a relatively small extent due to a faster increase in prices of manufactured goods than of other imports. The volume of imports of manufactures (including non-ferrous metals) increased by 174 per cent, against 63 per cent for all imports. The ratio of imports of manufactures to similar exports in value terms doubled.\*\* The share of imports in the United Kingdom's apparent consumption of manufactured goods (commodity output of manufacturing industry plus imports minus exports) increased from 7 per cent to 13½ per cent (see Table I). Some part of this rapid increase in imports of manufactures can be attributed to the liberalization of trade that has taken place over the past decade.

7. Imports of semi-manufactured goods alone (including non-ferrous metals) have more than doubled in volume over the last ten years. They have risen much faster than imports of basic materials; and this reflects, in part, a tendency for basic materials increasingly to be imported in a partly processed form—in other terms, a switching from imports of basic materials to semi-manufactures. If non-ferrous metals—a category of products for which the United Kingdom is inevitably heavily dependent on imports—are excluded, imports of semi-manufactures increased in value from £331 million in 1954 to £845 million ten years later (see Table II).

8. Imports of finished manufactured goods increased much faster—from £166 million in 1954 to £838 million in 1964. In that year, imports of capital goods (£563 million) accounted for 10·2 per cent of this country's total imports: six years earlier the figure was only 5·9 per cent. Imports of machinery accounted for £408 million of the £563 million total for all capital goods. As Table III shows, such imports have risen in every year since 1958 not only in total value but also in proportion to total outlays on investment in plant and machinery.

\* See Appendix Table 1.

\*\* More detailed figures are given in Appendix Table 2 and in Diagrams A and B.

TABLE I

*Imports of manufactures as a percentage of (a) exports of manufactures, (b) total imports and (c) apparent consumption of manufactured goods*

	Imports of manufactures	Exports of manufactures	Total Imports	Imports of manufactures as a percentage of:		
	£ million at current prices			Col ii	Col iii	Apparent† consumption of manufactured goods
	(i)	(ii)	(iii)	(iv)	(v)	(vi)
1954 ... ..	497	2041	3359	24·4	14·8	7·2
1955 ... ..	653	2221	3861	29·4	16·9	8·6
1956 ... ..	672	2411	3862	27·9	17·4	8·6
1957 ... ..	719	2572	4044	28·0	17·8	8·8
1958 ... ..	721	2534	3748	28·4	19·2	8·8
1959 ... ..	837	2656	3983	31·5	21·0	9·5
1960 ... ..	1153	2851	4541	40·4	25·4	11·6
1961 ... ..	1153	2962	4395	38·9	26·2	11·3
1962 ... ..	1202	3025	4487	39·7	26·8	11·5
1963 ... ..	1334	3244	4820	41·1	27·7	12·1
1964 ... ..	1683	3399	5514	49·5	30·5	13·4*

† Estimated commodity output of manufacturing industries, free of duplication, plus imports, minus exports.

\* Annual figure estimated on basis of first nine months.

Sources: Imports and exports of manufactures: Board of Trade.

Total imports: Annual Abstract, and Trade and Navigation Accounts.

Apparent consumption of manufactured goods: NIESR.

TABLE II  
*Imports of semi-manufactures and finished manufactures\**  
 (£ million, current prices)

	Chemicals (Section 5)	Semi-manufactures Total (Sections 5 and 6, excluding div. 68)†	Finished manufactures		Total Imports of Manufactures
			(Sections 7 and 8)		
1954	...	105	331	166	497
1955	...	116	447	206	653
1956	...	110	438	234	672
1957	...	117	451	268	719
				Mainly capital goods	Mainly consumer goods
1958	...	121	418	220	721
1959	...	139	460	249	837
1960	...	177	636	345	1153
1961	...	169	597	389	1153
1962	...	174	601	421	1202
1963	...	206	682	428	1334
1964	...	253	845	563	1683

\* See footnote on page 1 for definition of sections.

† Division 68—non-ferrous metals.

9. The growth of imports can also be seen in the consumer goods field. Total imports of consumer goods, although still relatively small, trebled in value between 1958 and 1964 and, at £275 million, amounted to 5 per cent of total imports in the latter year against 2½ per cent in 1958. As can be seen from Table IV, they have been rising fairly steadily over the last six years in relation both to total consumers' expenditure and to total expenditure on similar goods alone.

10. The rapid growth in recent years of imports of manufactures into the United Kingdom has slowed down the growth of our favourable balance of trade in manufactures (see Table V).

11. If the competitive ability of British industry were to remain unchanged, the import bill for manufactures might be expected to continue to rise rather rapidly. Imports of semi-manufactures must be expected to increase with rising manufacturing output. The need to increase the share of investment in total national expenditure—one of the conditions for faster growth—would also

tend to accentuate the rise of imports of capital goods. More generally, it may be expected that the trend towards increasing international specialisation will also tend to produce a continuing rapid rise in United Kingdom imports.

12. On the other hand, there may be some offsetting factors. First, the largest annual increases in imports of manufactures have occurred in years in which there has been a sharp upsurge of production and of stockbuilding, coupled with shortages of domestic productive capacity—in 1955, 1959/60 and 1963/64. These increases have generally not been reversed in subsequent years. It may therefore be that the general upward trend of imports has been accentuated by the effects of temporary shortages of capacity, giving overseas producers an easier entry to the British market which they manage to retain and develop. Smoother economic growth in future, if it can be attained, coupled with the installation of capacity adequate to meet this steady expansion, should modify these tendencies. Secondly, and more fundamentally, the improvement in efficiency on which faster growth depends should promote exports and improve the competitiveness of British products with imported manufactures.

13. On balance, however, the experience of the past decade suggests that a major effort is required to improve British industry's competitive position in international markets—and in the United Kingdom market itself. The main factors on which competitiveness appears to depend in each major industry, and the measures that should be taken to enhance it in each case are discussed in the remainder of this report.

TABLE III  
*Imports of machinery and investment in plant and machinery*  
 (£ million, current prices)

	Imports of machinery	Change from previous year	Gross fixed capital formation in plant and machinery	Change from previous year	Col. (i) as a % of Col. (iii)
	(i)	(ii)	(iii)	(iv)	(v)
1958 ..	138.1	—	1331	—	10.4
1959 ..	155.9	+ 17.8	1398	+ 67	11.2
1960 ..	213.7	+ 57.8	1509	+ 111	14.2
1961 ..	273.5	+ 59.8	1768	+ 259	15.5
1962 ..	284.3	+ 10.8	1765	- 3	16.1
1963 ..	307.2	+ 22.9	1889	+ 124	16.3
1964 ..	407.9	+ 100.7	2180	+ 291	18.7

Sources: Gross fixed capital formation: 1958-63 National Income and Expenditure Blue Book.  
 1964: Monthly Digest of Statistics, April 1965.

TABLE IV  
*Imports of consumer goods and consumers' expenditure*  
 (£ million, current prices)

	Imports of consumer goods*	Change from previous year	Total consumers' expenditure in the UK	Change from previous year	Imports as % of total consumers' expenditure	Consumers' expenditure on selected goods†	Change from previous year	Imports as % of expenditure on selected goods
1958..	83.1	..	15,023	..	0.6	4,053	..	2.1
1959..	127.6	+ 44.5	15,789	+ 765	0.8	4,383	+ 330	2.9
6 1960..	172.6	+ 45.0	16,560	+ 771	1.0	4,647	+ 304	3.7
1961..	166.9	- 5.7	17,408	+ 848	1.0	4,768	+ 131	3.5
1962..	180.8	+ 13.9	18,382	+ 974	1.0	4,918	+ 150	3.7
1963..	223.1	+ 42.3	19,316	+ 934	1.2	5,214	+ 296	4.3
1964..	275.2	+ 52.1	20,650	+ 1,334	1.3	..	..	..

Sources: Consumers' expenditure: 1958-63, National Income and Expenditure Blue Book: 1964, partly estimated from Monthly Digest of Statistics, April 1965.

\* excluding food, drink and tobacco

† expenditure on clothing, durable goods, other household goods, books, newspapers and magazines, chemists' goods, miscellaneous recreation, and other miscellaneous goods.

TABLE V  
*Trends in balance of trade in manufactures*  
 (Exports f.o.b. minus imports c.i.f.)  
 (£ million)

	Rising Balance			Falling Balance			TOTAL
	Chemicals	Machinery, transport equipment, instruments etc.	Total of columns (i) and (ii)	Other semi- manufactures	Other finished manufactures		
	(i)	(ii)	(iii)	(iv)	(v)		(vi)
1954 ..	100	883	983	473	88		1,544
1955 ..	119	953	1072	404	92		1,568
1956 ..	136	1089	1225	422	92		1,739
1957 ..	151	1145	1296	468	88		1,852
1958 ..	142	1166	1308	430	75		1,813
1959 ..	156	1199	1355	407	57		1,819
1960 ..	142	1199	1341	321	35		1,697
1961 ..	158	1273	1431	345	34		1,810
1962 ..	170	1284	1454	340	29		1,823
1963 ..	162	1422	1584	312	15		1,911
1964 ..	160	1304	1464	252	—		1,716

## II REASONS GIVEN FOR INCREASE IN IMPORTS AND INDUSTRIES' PROPOSALS FOR ACTION

14. The material collected is presented on an industry-by-industry basis or under product-group headings. Under each heading\* a summary of the evidence given on reasons for importing is followed by the conclusions drawn by the competing producers or the obvious implications for action necessary to improve competitiveness with imported products.

### CHEMICALS

#### *Imports of Chemicals (Section 5)*

							£ million
1954	1959	1960	1961	1962	1963	1964	
105	139	177	169	174	206	253	

#### The reasons for imports

15. The products covered by these totals are very diverse and include dyes, paints, fertilisers, explosives, pharmaceuticals and plastic materials but not imported chemical raw materials, such as sulphur and phosphate rock. Less than 20 per cent of the £253 million of imports in 1964 were raw materials or other products that cannot economically be made in this country. The U.K. is a substantial net exporter of chemicals but the trade surplus has not risen significantly since 1959 (see Table V).

16. In 1964 the share of imports in consumption of chemicals in the United Kingdom had reached about 15 per cent. After subtracting the raw materials and other similar products and also those imports which were required as a result of temporary shortages of capacity, the remainder—probably two-thirds of the total, representing about 10 per cent of home consumption—could not be explained by any obvious obstacles to manufacture in the United Kingdom.

17. However, the range of chemical products is vast and some international specialisation is inevitable. Some 10,000 products are listed as being made in this country, and another 2,000 not made here are imported. In addition, many products are made in a large number of grades and special qualities and not every quality can be made, except at excessive cost, by each producing country. But there are also other reasons for imports. Price competition is severe; and sometimes it is based on lower costs in the overseas country, though the temptation to dump is strong in a capital intensive industry. Patent restrictions and the rationalisation of production by international companies provide further reasons.

18. There seems to be little doubt that the underlying trend of chemicals imports is upwards. The United Kingdom market is expanding and international specialisation increases as the range of products becomes ever wider. International trade in chemicals has been expanding by about 10 per cent a year (faster than the growth of either United Kingdom imports or exports) and in the

\* Throughout the study figures for imports are given at the beginning of each industrial section. Appendix Table 2 gives import/export relationships for each category in 1954 and 1964.

last five years imports into all the main producing countries have risen rapidly. In 1964 the share of imports in the French and West German markets was similar to that in the United Kingdom, though the rapid rise in imports into these countries in recent years has been stimulated by the reduction of internal tariffs in the Common Market, a far more significant factor for them than the development of EFTA for the UK chemicals market.

19. The reasons for the rapid rise in UK imports between 1962 and 1964, as distinct from the reasons for the underlying upward trend, have been examined in more detail by the EDC; and ten products were selected for study in depth.\* Although the selection was not fully representative, the evidence justifies quite firm conclusions about the surge in imports since 1962. The predominant reason was shortage of capacity associated with rapidly rising home demand. There was no evidence that the UK had suddenly become less competitive in relation to the great variety of factors on which the underlying trend of imports depends.

20. In the view of the Chemicals Economic Development Committee, the shortage of capacity has been due mainly to the following factors:

- (a) There has been uncertainty about the rate of growth of the gross domestic product, leading to unwillingness to plan for a high enough rate of market growth. The high gearing of investment to relatively small changes in the rate of economic growth has meant that uncertainty about the future has had a markedly depressive effect on investment.
- (b) Uncertainty has also arisen from the tendency for the UK's basic cost position in a number of products to be poorer than that of her competitors. Until recently the UK chemical industry was dependent on coal as a raw material for several important products. Consequently the costs of manufacture of these products have been greater than those of similar ones in countries where the technical change to oil or natural gas was made earlier. Moreover, the industry considers that the UK price for electricity to large industrial users with high load factors is higher than the prices charged to comparable users in a number of Continental countries, and that the prices in the UK do not reflect the true costs of supply to this class of user. The industry is at present engaged in a large movement to new oil-based processes in which the UK suffers no appreciable cost disadvantage, and plant sizes are in many cases now being very greatly increased.
- (c) There is a lower tariff on the newer plastics—a major growth sector—than exists in every other country which is a major producer of these products. This has made the large UK market an obvious target whenever there has been surplus capacity overseas. The competition from imports was particularly severe during 1960–1962 and, in consequence, the climate for investment decisions was affected adversely. Some of these imports were sold at dumped prices and the industry was unable to retaliate because of the high tariffs of the other producing countries.

\* Mainly plastics and other heavy organic chemicals.

### The industry's proposals for action

21. In considering the prospects for the future, the EDC for the chemical industry has noted that the capacity situation will be much improved by 1966; but it is concerned that recurring shortages in later years should be avoided. It intends to maintain a regular review of the industry's investment programme in relation to forecast growth of demand; but it has stressed that "if the industry is to instal sufficient capacity to meet home demands and provide for a rapid expansion of exports and to build plants of a size sufficient to achieve optimum production costs, it must have confidence in the future rate of expansion of the market and reasonable safeguards against dumping".\* The Board of Trade and the industry are jointly examining the effect of differing national tariff rates on the level of investment and the pattern of international trade.

22. The EDC has recognised that "a continuing and healthy increase in international trade in chemicals means that the underlying trends of imports must be upwards ... but considers that, without interference with the natural flow of trade or with normal profit objectives, some saving in imports might be made".\*\* The report suggests an investigation, branch by branch, of the possibilities of reducing the underlying upward trend of imports by some £30 million a year. This examination is now in hand.

### PAPER AND BOARD

#### *Imports of Paper and Board (Division 64)*

							£ million
1954	1959	1960	1961	1962	1963	1964	
56	82	96	99	105	114	133	

### The reasons for imports

23. These totals cover a field slightly wider than that of the Paper and Board Economic Development Committee, as they include goods made by paper and board converters; but these account for little more than 10 per cent of the total and the percentage was the same in 1954 and 1964. The text below refers only to products covered by the EDC.

24. There is a clear long term upward trend in imports of paper and board. They have grown at nearly 9 per cent a year since 1960, and are now about 30 per cent of home consumption, after a period between 1955 and 1960 when the share was stable at about 26-27 per cent. The UK is a net importer of paper and board and the negative balance is growing. However, against the increase in imports of paper and board can be set the fact that the bill for imports of pulp is lower than it would be if more paper and board were made in the UK. The pulp content is particularly high in the bulk grades in which imports have most advantage.

25. The share of imports in total consumption has risen in other European countries also. In West Germany the share was much lower than in the UK in 1954, but is now about the same. In France also, the share has risen, but is considerably lower than in the UK.

\* Report approved by the committee for circulation within the chemical industry.

\*\**Ibid.*

26. The EDC study has shown that a major reason for the increase in imports has been the lowering of EFTA tariffs which has exposed Britain to the natural cost advantages of Scandinavian countries with large forests. The adjustment of the tariffs of EEC countries toward the Common External Tariff may also now be tending to divert Scandinavian exports to the UK. Other contributing causes have been excess capacity abroad which has led overseas producers to reduce prices, and the changes in the pattern of UK demand towards the lower-valued products which have increased the proportion of the market in which foreign suppliers, notably the Scandinavian countries, Canada and the USA, have a particular advantage. Another factor is that pulp prices are said to be controlled by foreign manufacturers of paper and board to an extent which makes their British competitors more vulnerable to fluctuations in the ratio of pulp to paper prices. Finally, the effect of the recent exceptionally rapid growth of demand has been that some domestic producers have reached the limits of capacity and the resulting marginal imports have further raised the share of the total in the home market.

27. The main disadvantage of paper production in Britain is that it is not integrated; that is to say, the processing of the pulp into paper is not done in the same place as the conversion of timber into pulp. For bulk grades the difference in cost amounts to some £6-8 per ton or about 10 per cent of the selling price. In these grades, the size of the international market resulting from this cost advantage means that in many cases larger machines than those used in Britain are economic in the timber producing countries with consequent further economies of scale. Other cost advantages for overseas producers arise because the cheap hydro-electricity and untaxed oil they use cost less than the coal and oil used by British producers, and because they run machines continuously for seven days a week, which is uncommon in Britain.

28. The share of imports in the home market is highest, a half and over, in bulk grades such as newsprint, kraft papers and kraft-board in reels, for which integrated plants have most advantage. It is lowest in grades such as "other printings and writings" in which most value is added to the pulp or which are made out of a blend of pulps, and in boards made from waste paper.

#### The EDC's proposals for action

29. The EDC's study suggests that imports covered by its field of activity may rise from some £120 million in 1964 to £180-205 million by 1970 if policies of the industry and of the Government remain unchanged. It has therefore been decided to investigate several possibilities of action to improve the competitive position of the British industry, including the possibilities for increasing the supply of home produced timber for pulp and of waste paper. The committee has approved the appointment of two working parties to examine these matters in consultation with the relevant government departments and other bodies and to report to the committee. It will also continue its examination of the industry's productivity, efficiency and structure. The EDC's study also recommended that the Government should consider, in consultation with the industry, the following possible actions:—

- (i) the imposition of import quotas on selected grades of paper on the grounds that current tariff policies will result in the destruction of certain sections of the industry which in the longer term have a reasonable prospect of being competitive; quotas would also reduce the import bill;
- (ii) "voluntary" restriction of exports to the UK to be negotiated with foreign governments in order to limit exports in time of general surplus capacity;
- (iii) a review of the trade practices of foreign competitors with a view to ensuring fair conditions of international competition.

30. The Government cannot, without violating its present international commitments, accede to the first two requests concerning quotas and voluntary restrictions, but has stated its willingness to see what could be done about any specific infringements of fair practices.

#### TEXTILES AND CLOTHING

*Imports of Textiles*  
(Division 65)

							<i>£ million</i>
1954	1959	1960	1961	1962	1963	1964	
71	98	137	147	135	145	177	

#### The reasons for imports

31. These imports consist for the most part of products at an intermediate stage between the raw fibres (or a man-made alternative) and the final product. Yarns, fabrics and made-up products, such as blankets, towels and carpets, are included. Products covered by the Wool Textiles Economic Development Committee are included together with cotton textiles and man-made fibres, although these differ widely in their characteristics, as does the pattern of trade in them. The evidence on imports of wool goods—which are a very small part of the total—is based on the EDC's study, but evidence on the remainder of this group has been collected by the Office.

32. The increase in imports of some products in this category, as with paper and board, has been offset to a considerable extent by a reduction in imports of raw fibres.

33. In total, the long term trend seems to be for imports of textile products to rise and for the positive balance of trade to decline. Imports steadied after the sharp rise in 1960 but rose again sharply in 1964. The net balance has fluctuated since 1961, but although the UK is still a net exporter, the positive balance has fallen from about £250 million in 1954 to about £90 million in 1964. In 1964, Britain was a net importer of cotton yarns and fabrics and man-made fibre fabrics but a net exporter of man-made fibre yarns and a large net exporter of wool yarns and fabrics.

34. There have been some shortages of capacity especially at the peaks of the cyclical swings characteristic of this sector, often as a result of shortage of labour rather than of equipment. The main area in which substantial imports over a longer period can definitely be attributed to insufficient capacity is man-made fibres. However, most of the rise in imports in the last decade can be attributed to a decline in competitiveness in its broadest sense. Price has been the largest single factor, but poor design and unreliability of delivery have also been significant.

35. Imports of cotton textiles account for over 40 per cent of the home market. It is essential to distinguish between imports from underdeveloped countries in the Commonwealth, which enjoy duty-free entry, and imports from Western manufacturing countries. Of cotton fabrics, rather more than half come from the under-developed Commonwealth and it is extremely difficult for the UK cotton industry to compete. Since 1959 a series of quota agreements has been negotiated imposing a limit to the impact of such imports on the worst hit sections of the domestic industry. Nevertheless, the share of imports from the underdeveloped countries in home consumption in 1963 was about 30 per cent in the UK compared with 5 per cent in the EEC countries as a group and 7 per cent in the USA.

36. Although it is difficult to assess precisely the competitive positions of national cotton\* industries, it is probably broadly true that the UK industry's competitiveness vis-a-vis other "Western" cotton industries was declining up to about 1960 or 1961. It would appear that this trend has been halted, which indicates that the main causes of the previous decline—the relatively less efficient equipment employed, the lack of multi-shift working and, in the view of some clothing manufacturers, the failure to initiate or respond quickly to changes in fashion and design—are being eliminated.

37. Imports of wool yarns and fabrics are relatively small—only 1 per cent and 3 per cent by value, respectively, of estimated home market consumption. The yarn is mostly composed of special hosiery requirements from the Continent. The main source of fabric imports is the Prato district of Italy, which has a flourishing and very competitive industry based on rag processing. Cheapness is the main reason for imports and colour and fashion are subsidiary.

38. Imports of man-made fibre yarns and fabrics have risen rapidly. The large increase in 1964 was caused mainly by shortage of nylon capacity and by international companies testing the market before their new UK plants came into production.

39. A general feature of the textile sector is the many stages and hands through which the products pass before they reach their final form. From the point of view of import competition a failure at any stage prejudices others both earlier and later, so that unattractive design, expensive finishing or lack of certain colour shades, all quoted as examples and none of great individual significance, can have a cumulative effect in encouraging the customer to look overseas. A market once lost is not easy to regain. The overall feeling of the fabric-using industries seems to be that the domestic chain of supply is not sufficiently flexible

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\* "Cotton" includes products made on cotton type machinery from man-made fibres.

and responsive to changes in fashion, design and the possibilities of new yarn and cloth constructions, though this applies less strongly to wool textiles than to other sectors. New groups, largely financed by the man-made fibre producers, are now applying themselves to remedying this defect in the marketing processes of the cotton and man-made fibre industry.

40. Imports of *clothing* (not included in the figures above paragraph 31) have been rising fast, but are still on average under 5 per cent of the home market, though the share is far larger for some products. Imports from Hong Kong, which has low labour costs and enjoys Commonwealth free entry, account for about 45 per cent of the total. But about half of the imports come from advanced countries; price advantages, design and reliability of delivery dates have all been mentioned as contributory factors.

#### The industries' proposals for action

41. The only EDC in this field covers the wool textiles industry. A number of ideas for action to improve the balance of trade have emerged from the less formal discussions with representatives of other industries.

42. The "cotton" sections of the textile and clothing industries have proved the most vulnerable to overseas competition, especially in relation to duty-free imports from the Commonwealth. At present, quotas and "voluntary" limitation shield the worst hit sectors. The cotton industry foresees a period of perhaps five years before the process of technical, commercial and financial re-organisation is so far complete as to leave the industry competitive with normally priced imports, and has suggested supplementing the quota system by a tariff during the interim period. Other advanced countries apply even more restrictive policies towards imports of low-cost goods from developing countries, and it is suggested that they should be urged to be more liberal, which would tend to relieve the pressure on the UK market.

43. Some parts of the sector are also failing to compete effectively even with industries in other industrialised countries and others are potentially vulnerable to overseas competition. It is desirable that re-equipment and re-organisation, which can do much to enable the UK industries to meet overseas competition, should, as far as possible, anticipate its impact rather than have to retrieve a lost position. But uncertainty about the fiscal and tariff context in which the industries are to operate must be reduced to a minimum if the necessary steps are to be taken without undue delay. The wool textiles EDC points out that the industry expects the Board of Trade to make full use of the safeguard procedures of the treaty with Japan and to ensure that they do not lapse while the force of Japanese competition is unchanged.

44. Firms in these industries must have access to the most efficient machinery available and at a cost not greater than that to their competitors. If more of this machinery is to be made in the UK, the EDC considers that closer co-ordination and co-operation with the textile engineering industry is needed (a point also emphasised, in general terms, in the report of the mechanical engineering EDC). Re-equipment will necessitate changed attitudes throughout the industry towards product lines, working habits, training, factory legislation and other matters. It is likely that multi-shift working will increase to take full advantage of the installation of modern machinery.

45. Closer co-ordination and co-operation between the industries or those sections of them which undertake the successive operations involved in the textile sector are required, together with recognition of the primacy of the ultimate consumer. Improvement in communications and possibilities of rationalisation should flow from the increasing tendency towards vertical integration, though in some parts of the industry the flexibility and specialisation of a horizontal structure may need to be preserved. In addition to efficiency at the manufacturing stage, good design and marketing will be of increasing importance, in order to adjust rapidly to changes in an increasingly fashion-conscious consumer demand.

### IRON AND STEEL

#### *Imports of Iron and Steel*

(Division 67)

								£ million
1954	1956	1959	1960	1961	1962	1963	1964	
28	105	40	101	49	54	75	106	

#### The reasons for imports

46. Imports of iron and steel have fluctuated over the last ten years, representing between 2½ per cent and 10½ per cent of home consumption, without any clear upward or downward trend emerging. The UK is a net exporter of iron and steel. Up to 1960, the fluctuations were plainly related to shortages of capacity resulting in imports at prices generally considerably above UK prices due to the existing world capacity shortage. Since 1960, the dominating factor has been the surplus of capacity in the world as a whole, resulting in severe price cutting in export markets and offers of cheap imports of iron and steel to British consumers and merchants. Despite the adequacy of UK capacity since 1960, an additional stimulus was given to imports in the winter of 1963/64 by the very sharp rise in demand and by the strike at the Steel Company of Wales. In the second half of 1964, imports were already falling; and the total for the half-year was £43 million compared with £63 million in the first half.

47. Of the 1964 imports £20 million were ferro-alloys which it would be uneconomic to make here because of high fuel costs, compared with Canada and Norway (hydro-electricity). Apart from these, very little of the import bill can be regarded as representing non-competitive imports, though some special steels happen not to be made here. Another £5 million of imports can be ignored as they were re-exported after hire-rolling.

48. The largest steel item was sheet (£27 million). For many years the rapidly rising UK requirements for sheet could be met only by some resort to imports. Now domestic capacity is fully adequate, and home prices are well below continental prices; but imports continue, particularly from Holland. This was attributed by one big user to quality advantages which by last summer were being eliminated. Other users prefer to diversify their sources of supply—an attitude which may partly be a survival from the period when capacity was inadequate. In any case it costs the users nothing extra since, even where the continental list price is above the British, the suppliers adjust delivered prices

to the UK level (i.e. the maximum price fixed by the Iron and Steel Board). Much British export business in sheet is done on a similar basis. The Steel Company of Wales strike at the beginning of 1964 increased imports of sheet in that year.

49. Apart from sheet, the largest steel import in 1964 was of billets, blooms and slabs (£13 million). One reason for the high 1964 level of imports was that integrated steel makers imported large quantities because they were not able to bring their unused capacity back into production quickly enough to match the very rapid recovery of demand.

50. Apart from the special factors applying in 1964 which should not operate in future, the main reason for other imports of billets and for imports of other products (chiefly pig-iron, wire rods, and other bars and rods, strip and tubes) was lower prices. British home steel prices are broadly in line with the home prices of producers in other countries (a little higher for some products and rather lower for others), but in conditions of world surplus capacity export prices fall and the prices of imports into the UK are well below home prices in the exporting countries.

#### The industry's proposals for action

51. Experience during 1964 confirmed the Iron and Steel Board's view that the temporary steel shortages leading to increased imports were abnormal and caused by the sudden rise in demand in the autumn of 1963 and by the Steel Company of Wales strike early in 1964. There are two other factors which the Board considers will not operate in the long term, namely, preference for the quality of sheet from one continental works and the import of slabs and of coil for hire-rolling and subsequent re-export. The remaining imports in 1964, excluding ferro-alloys which cannot be produced economically in the UK, amounted to some £40 million. If this level of imports were maintained up to 1970, it would then represent only about 3 per cent of home consumption and it might appear that some such level of import is almost inevitable. Imports are sometimes prompted by the desire to diversify sources of supply (e.g. for sheet) and are often only made possible by the discriminatory reduction of prices by the supplying countries. They are always liable to rise significantly if the world excess of supply becomes too pressing. On the other hand, virtually all the £40 million of imports could be replaced by home supplies, with for the most part no increase in cost.

52. It is sometimes suggested that artificially low priced imports should be matched by isolated adjustments of British prices to meet such competition. In the light of pre-war experience of price competition in the UK and more recent experience in the European Coal and Steel Community, British producers are reluctant to reduce prices below the maxima set by the Iron and Steel Board. They doubt the feasibility of confining cuts selectively to the small part of the market in which they are challenged by imports. The steel industry has so far had no confidence that a remedy could be found through the operation of the Customs Duties (Dumping and Subsidies) Act. It therefore suggests the negotiation between governments of the steel producing countries of an agreement to outlaw dumping in each others' markets. Failing this the industry presses for the strengthening of unilateral UK anti-dumping action.

## ENGINEERING

### *Imports of Mechanical and Electrical Engineering Goods*

(Divisions 71 and 72)

	1954	1959	1960	1961	1962	1963	£ million 1964
Mechanical†	.. ..	74	154	193	245	245	254
Electrical*	.. ..	17	49	63	70	80	93

† Includes machine tools.

\* Includes most electronic products.

### The reasons for imports

53. Capital equipment accounted for £410 million out of the total of £455 million of imports in 1964. Some consumer goods are also included; but the reasons for imports of these are described separately in paragraphs 75 to 78 below. These two categories account for most of the products covered by the four EDCs for the mechanical engineering, electrical engineering, machine tools and electronics industries.

54. The total of imports for mechanical engineering includes a wide range of machines. It was not possible to consider all of them in detail, but the industrial evidence covered a considerable field: machine tools, pumps and centrifuges, steelworks plant, contractors' plant, ball, roller and needle roller bearings, textile machinery, chocolate and sugar confectionery machinery, printing machinery, etc. and office machinery. The conclusions based on these detailed inquiries were confirmed by general evidence from a special enquiry by the Purchasing Officers' Association and from the Board of Trade's records of tariff remission.

55. The share of imports of electrical engineering goods (other than electronics) in the home market is comparatively low. There is little evidence about products covered by the Electrical Engineering Economic Development Committee, since it proved difficult to identify the imports of switchgear, motors and other electrical apparatus and therefore to find the reasons for imports. As some similar factors apply to electronic products and there are also statistical difficulties in identifying imports, the Electronics Economic Development Committee decided that any conclusions on the reasons for imports could only be provisional. Nevertheless, electronic capital equipment is discussed below. (para. 61).

56. There is a clear upward trend in imports of capital equipment. In 1964 they reached £410 million and the rate of growth seems to be at least 15 per cent a year. The UK has a large trade surplus in these products. However, although exports rose by about £240 million between 1960 and 1964, 80 per cent of this rise was offset by the increase in imports. Expressed as a percentage of national investment in plant and machinery, the share of imports has been rising steadily and approached 19 per cent in 1964. The fact that the share has increased, even when total expenditure on machinery fell, is striking.

57. The share of imports in the home market for the products covered by each EDC varies widely from about 6 per cent for electrical engineering (excluding electronics) to about 25 per cent for machine tools. A share of a third or more is also found for office machinery, textile machinery, and computers. But in certain lines imports have only a small share of the home market, e.g. in steelworks plant or in chocolate and confectionery machinery. There appears to be a tendency for more advanced firms to buy a higher than average share of their machinery from abroad; for example, some such firms bought 70 per cent or more of their textile machinery or machine tools from abroad. This seemed relatively common for international companies, and results not only from their foreign connections, but also from their greater willingness to search the world for the best machines. If this attitude becomes more common in British industry, the share of imports can be expected to rise further.

58. The principal reason for imports of mechanical engineering products including machine tools, as seen by the people who buy them, is that the imported machine had performance and design characteristics which could not be matched by UK suppliers. The crucial factor is what a machine can do or how economically and reliably it can do it; superiority in this sense outweighs quite large differences in price.

59. When performance is given as a reason for importing, this can mean either that it is thought that no British machine can do a particular job at all, or that a British machine cannot do it so well or so cheaply. This is an important distinction; but it does not affect the implication for policy, namely, that changes in costs or prices, unless they are very large, have little effect on trade in machinery. Many importers said the surcharge was having little deterrent effect.

60. It must be noted that the Mechanical Engineering Economic Development Committee considers that the users' views, on which the two preceding paragraphs are based, lack balance. They are, however, recorded here because they represent the views of large numbers of people in companies who make the purchasing decisions.

61. The key position of performance as a factor in choice is also seen by users as applying to electronic capital equipment, although here differences of kind tend to be more important than differences of degree as the range of products widens rapidly in this industry. Imports of computers in the past were attributed by users either to the lack of suitable British machines at the time or to greater reliability; speed of delivery has also been a factor in some cases. A special factor for computers is the programming facilities or "software" offered by manufacturers, which have a decisive effect on the performance and economies a user gets out of a computer. The "software" provided by British manufacturers has sometimes not been competitive and it is likely to be the crucial factor in future for general purpose commercial machines. The other main electronic imports are radio communication, radar and navigational aids. Government departments collectively are the largest identifiable importers (though it is not clear what proportion of the total recorded imports is purchased by them) and performance is said to be the most common reason for importing. The manufacturers say they could produce much of this equipment competitively if given enough notice of specifications and design requirements.

62. Similar reasons are given for imports of scientific instruments which are not included in the figures given above (paragraph 53), although they are in an allied category. The Scientific Instruments Manufacturers' Association give "advanced technology and performance" as the most important single reason for imports, which have been growing very fast and reached about £40 million in 1964. Between a quarter and a third of all imports have been officially acknowledged (e.g. by tariff remission) as not procurable in the UK although the criteria applied are less strict in the non-commercial section of the market than in the commercial section. Price has been important for optical instruments and some of the simpler instruments, but these have a small share in the total. Delivery dates have also been a factor and US manufacturers are often ahead in this as well as in technology.

63. To say that differences of performance are the prime reason for most imports of machinery, electronic capital equipment and instruments, is not in itself necessarily to criticise British manufacturers. Performance would also no doubt be given as the reason why other countries import our machines. No country can expect to have a monopoly of advanced ideas and even countries whose share of world trade has been rising, such as West Germany, have been importing machinery on a rapidly increasing scale. In principle, a distinction can be drawn between "specialisation" and "uncompetitiveness" as reasons for the level of imports. But in practice the distinction is hard to apply and the extent to which each is present varies for different products and is not fully agreed on by users and producers. The study, however, points to evidence of considerable uncompetitiveness:—

- (a) Users' views suggest that uncompetitiveness in terms of performance and design explains a large proportion of imports of mechanical engineering products, many instruments and also computers, though here performance has been affected by the special problem of "software".
- (b) Imports have a large share of the home market over a wide range of goods:

*Estimated share of home market held by imports of selected products in 1964*

	Per cent
Machine tools	29
Scientific instruments	34
Office machinery	33
Computers	over 50
Textile machinery	40*
Compressors	30
Printing etc.	25-30

\*Average over three years

These products are deliberately chosen because the share of imports is high and there are, of course, other products such as electrical equipment and steel-making plant where the share of imports is much lower at between 5 and 10 per cent.

- (c) One way of assessing competitiveness is to look at Britain's performance in the rapidly growing and technically exacting markets of the advanced countries (defined here as the USA, Germany, France, Italy, Netherlands, Belgium-Luxemburg, Sweden and Switzerland). Britain has a highly industrialised economy and an engineering industry which makes a comprehensive range of products. It is therefore not surprising that in mechanical and electrical engineering Britain's exports to other advanced countries were larger in relation to its imports from them than were those of most other countries. This is not true, however, in comparison with its main competitors in world trade, the USA and West Germany. The table below shows that the USA's and Germany's exports to other advanced countries were more than twice as large as their imports from them, whereas Britain's exports only exceeded imports by a relatively low margin.

*Exports of machinery to advanced countries as percentage of imports from them*

		<i>Mechanical</i>	<i>Electrical</i>
		(71)	(72)
United Kingdom ..	..	128	111
USA ..	..	255	208
West Germany ..	..	246	248

Bilateral trade balances are harder to interpret, but it may be mentioned that in 1964 Britain's imports of mechanical engineering products from the USA and West Germany were worth £100 million more than its exports to them. Britain also has a negative balance with both countries in instruments. In electronics, Britain is a considerable net importer from the USA.

64. Whatever the exact proportions of imports of machinery to be attributed to specialisation and to uncompetitiveness, the number of products in which British designs excel in world markets must be increased. Two reasons given for lack of competitiveness in some fields may be recalled in this context—inappropriate attitude to the market and insufficient resources devoted to technical advance and design. The attitude to the market and customer relations was stressed by some users of mechanical engineering products, but is probably applicable to the whole of machinery. Some users suggested that some British manufacturers were not ready enough to explore their customers' special needs, to co-operate with them in meeting these, and to incur the cost of developing and designing specialised machines, particularly when they would only be profitable if sold in the world market as well as in Britain. Lack of funds for technical advance was mentioned by the producers of electronic capital goods and instruments, in contrast with the situation in the USA, with a large home market and enormous government expenditure on research and development. Inadequate design effort and the shortage of high quality designers and mechanical engineers were other factors mentioned in the mechanical engineering study.

## Proposals for action

65. The Machine Tools Economic Development Committee has recently published a Programme of Action on imports of machine tools and the steps necessary to reverse the unsatisfactory current trends.\* In this case, the technical performance of the available British products was the main reason given by the users for preferring certain imports. Lack of productive capacity to meet all demands was also a factor in some instances; price was relatively unimportant. The manufacturers among the members of the EDC have undertaken to press for action by the industry under the following headings and to report progress from time to time to the EDC:

- (i) *Increased capacity.* The representatives of the manufacturers agreed in principle that productive capacity should be substantially increased.
- (ii) *Research and development efforts.* There should be a further substantial increase in the technical staff engaged in design, and the research and development effort should be intensified.
- (iii) *Qualified engineers.* Steps are being taken to increase the numbers.
- (iv) *Supporting research.* There should be a greater research and development effort in cutting tools.
- (v) *Imports.* The manufacturers will identify those imported machine tools which could be manufactured in the UK and aim to develop their manufacture.
- (vi) *Specialisation and structure.* The manufacturers will aim to reduce duplication of effort and to increase specialisation of production.
- (vii) *Co-operative evaluation.* The manufacturers will consider evaluating each other's machines in their own works, on a non-competitive basis.
- (viii) *Stockholding.* The industry will aim at holding larger stocks.
- (ix) *MERCHANTS.* The manufacturers will consider making use of merchants for selling and stocking unsophisticated, standard machines, so improving deliveries and discouraging imports.
- (x) *Selling methods.* The manufacturers will consider strengthening technical sales staff, and the greater use of selling consortia.
- (xi) *Joint effort with electronic firms.* The manufacturers will strengthen their technical development effort, on a joint basis with the electronics industry.
- (xii) *Factoring.* The industry will present a balanced statement setting out clearly the national disadvantages and advantages of the factoring of foreign machine tools.
- (xiii) *Customer relations.* The industry should encourage a pioneering spirit on the part of customers.

\* Machine Tool Industry: Programme of Action. EDC for the Machine Tool Industry 10 June, 1965.

66. The trade union members of the EDC have agreed to support in principle the maximum use of high-productivity equipment by machine tool makers and users.

67. The EDC has also recommended certain action by the Government:

- (i) *Investment incentives.* The Government should revise or replace the present investment allowances so as to give stronger and counter-cyclical incentives to modernisation of plant.
- (ii) *Research and development.* There should be a special tax relief for research and development expenditure both current and capital. An additional university should be encouraged to develop a department specialising in machine tool technology and present facilities should be expanded.
- (iii) *Government as a buyer.* Public sector users of machine tools should set an example by modernising their equipment. The Government should state its readiness to purchase advanced prototype machine tools which could be installed in works owned by private industry or in Royal Ordnance Factories where they could be evaluated under production conditions. The results of the evaluation should be made public in as much detail as possible.
- (iv) *Exhibition centre.* New exhibition buildings are needed in or near London. The need for this has been recognised for some years but nothing has been done yet.

68. The Mechanical Engineering EDC considers that the trends of imports and exports of mechanical engineering products are profoundly disturbing. The chairman of the EDC has therefore written to the fifty trade associations in the industry and to some 400 companies which took part in the Industrial Inquiry for the 1970 plan inviting their comments on ways of reducing the share of the home market taken by imports. The EDC have invited engineering companies on a wide scale to engage in discussions with their customers to identify more accurately the reasons for importing and the invitation is meeting with an encouraging reception. The EDC is arranging a conference with industry in the autumn to discuss ways of improving import competitiveness, maker/user collaboration, the technical performance of machinery, the role and supply of engineering and design staff, technical innovation, etc. The mechanical engineering industries and the EDC will be giving continuing attention to these matters.

69. In his letter, the chairman of the EDC has also invited views on the following:—

- (i) The suggestion has been made that imports of machinery may result from superiority of design: views are requested on the effectiveness with which skilled designers are being used, whether there is room for improvement and whether the steps to improve supplies and quality being taken by universities and CATs are likely to be adequate.

- (ii) The suggestion that arrangements for duty remission on imported machinery might have outlived their original purpose and should be re-considered.
- (iii) The introduction of new machines and techniques is frequently inhibited by the risks and costs inherent in a first installation. There is a natural inclination to wait for somebody else to instal and operate the first machine of a new and advanced design. To encourage users to pioneer new machines and techniques, it has been suggested that there might be scope for government innovation grants of, say, 25 per cent towards the cost of the first, and only the first, UK-made machine or installation where a bona fide case could be established that a genuine technical advance was being made.
- (iv) Ways of improving official statistics, in particular to show the share of the home market that imports are taking.
- (v) Improved methods of investment appraisal.

70. **The Electronics** EDC has not yet formally adopted an action programme arising out of the import study, but some suggestions, largely for government action, have been made by trade associations and considered by the EDC to be worth examination. Some of the main suggestions in the capital goods sectors were as follows:—

- (i) Increased tax allowances for capital and current research and development expenditure.
- (ii) Higher prices for government contracts to increase the finance for research and development paid for by the industry.
- (iii) The Government should collaborate with the industry to promote its technical progress and international competitiveness. The choice of projects for which military and civil development or production contracts are given, the specification of the product, and the choice of the firm to do the job, should be influenced strongly by the aim of increasing the industry's exports.

71. The consumer goods sector recommended some protection to delay the full impact of low cost competition, particularly from Japan, as quotas on imports from there are due to come to an end in 1966. This protection should only be given if the breathing space is used to improve efficiency in the home industry.

72. The suggestions from the two main component sectors of the industry include:—

- (i) More research and development contracts for work on advanced semi-conductors should be given, preferably to large firms with big enough sales to justify large-scale production.
- (ii) The Government should consult more with UK manufacturers before deciding on designs built round valves or semi-conductors which are not available in the UK.
- (iii) More market research needs to be done, assisted by improved government statistics.

(iv) The Government should encourage international firms doing business in the UK to manufacture here and also to set up design and development teams.

73. The Scientific Instrument Manufacturers' Association put in a separate memorandum on imports of all its products, although there is some overlap with electronic products. It is suggested that the Government could greatly increase the competitiveness of UK instruments by altering the methods of drawing up and awarding development and production contracts as follows:—

- (i) The specifications in defence development contracts and development contracts drawn up by the nationalised industries should be compatible with non-government users' and export requirements.
- (ii) Firms which have been awarded development contracts should be given an option for the production contracts, and priority should be given in awarding contracts to firms with research and development departments and a good export capability which can exploit the knowledge gained.

Government action to sponsor development contracts both in the civil and military fields with good technical specifications which would give UK products technological superiority, rather than concentrating on the development of UK equivalents to foreign instruments, is also said to be necessary. Other recommendations for reducing imports include:—

- (i) Measures should be taken to stimulate demands for advanced equipment and forward thinking by British user industries and to create a sophisticated home market.
- (ii) A more stringent attitude should be adopted towards imports of foreign equipment by government-sponsored research laboratories and departments to overcome any tendency to choose foreign instruments on prestige grounds.

74. Imports of products covered by the Electrical Engineering EDC have only a low share of the home market, but there are some measures which, in the view of the EDC, would reduce imports below what they might otherwise be. First, a repetition of the experience of 1960, when demand for appliances was stimulated so far that it could not be met from UK capacity, might be avoided by more skilful regulation of internal demand. Secondly, more information about imports is needed. Changes in the statistics collected by the Government are required if these are to be of more commercial use; and this is only partly a question of reclassification. The Office, with the approval of the EDC, has commissioned a further study by an outside consultant on the products imported and the reasons for them. This study will shortly be considered by the EDC. Thirdly, there is need to speed up the adjustment of British standards to international standards so that designers can take full advantage of improvements in materials and avoid producing equipment which is over-designed for its purpose. The EDC has made representations as a result of which action has been taken by government departments, nationalised industries, and the industry itself. Finally, there is need for examination of economies of scale and of possibilities for further rationalisation in the industry.

## CONSUMER GOODS

### The reasons for imports

75. The study as completed so far has a less wide and deep coverage of consumer goods than of semi-manufactures and capital goods; but work on consumer goods is continuing. The Economic Development Committee for the Distributive Trades will shortly be considering a survey it has sponsored of the reasons for the popularity of foreign goods in British shops based on interviews with the chief buyers of selected commodities in a representative cross-section of retail and wholesale firms. The commodities covered in the first survey were women's and men's clothing; footwear; pottery; china and glassware; furniture; domestic electrical appliances; carpets, rugs and other floor coverings; toys; cameras and optical equipment. Some preliminary material on motor vehicles, motor cycles, domestic appliances and radios is discussed in the remainder of this section. Clothing was discussed in paragraph 40 above.

76. Imports of *cars* were about £27 million in 1964 compared with exports of about £257 million (both figures excluding components). Imported vehicles have a small and fluctuating share of new registrations. The peak share so far was 6·9 per cent in 1960 and the 1964 figure is estimated at 5·7 per cent.

77. The preference of some consumers for imported cars seems to be based on a taste for variety rather than on any clear superiority in performance or price. Prices without tariffs, as far as can be judged, seem to have been at a similar level in the UK and the European Economic Community which is the largest source of imports, with British prices perhaps somewhat lower. However, past reductions in the UK tariff on cars have been followed by increases in the share of imports in consumption and it may well be that demand for foreign cars will respond to future reductions in the tariff. This is at present 9 per cent on EFTA products falling to nil at the end of 1966 and 25 per cent on other foreign countries' products falling to 22 per cent.

78. *Motor cycle* imports have fluctuated considerably during the past decade. Imports (including parts and accessories) rose from £6·5 million in 1963 to £9·5 million in 1964 but have fallen again to an annual rate of £6·1 million in the first six months of 1965. Home production has fallen from £24·5 million in 1960 to an estimated £12·6 million in 1964, so that imports have recently taken a rapidly rising share of home demand, reaching 65 per cent in 1964. Home production has concentrated on large motor cycles (250 cc or over of which 60 per cent are exported), whereas demand has increased rapidly for scooters imported from Italy (particularly in 1959 and 1960), and recently for motor cycles of 50–100 cc, imported mainly from Japan. The 1964 spurt in imports can be accounted for partly by the fact that British manufacturers did not foresee the changes in market trends. The primary reason, however, is the Japanese development and manufacture of a small motor cycle to supply a very large home market. These machines can in consequence be offered at an extremely low price with which British manufacturers have found it impossible under present conditions to compete.

79. Imports of electrical *domestic appliances*, mainly refrigerators and washing machines, rose sharply to £12 million in 1960, largely because demand was stimulated by government action to a point where it overtook capacity. Since then imports of appliances have fallen to about £8 million or about 5 per cent of the home market. The reasons for the maintenance of imports at this level are: that it is difficult to dislodge foreign suppliers once they are in the market; that some British manufacturers find it profitable to import larger sizes from suppliers who enjoy greater economies of scale, notably in Italy, (sometimes exporting smaller sizes in return); and that some British manufacturers have plants abroad, e.g. in Ireland.

80. Imports of electronic consumer goods consist chiefly of *radio receivers* and *tape recorders*. Imports of radio receivers were about 25 per cent of the home market by value in 1964 compared with about 4 per cent in 1955. Most of them are low quality sets from Hong Kong, imported because of their cheapness; but some are high quality sets from other European countries. Imported tape recorders appear to have over half of the home market. The main reason for imports seems to arise from the operations of international companies enjoying large economies of scale. The high share of imports is also said to reflect the relatively slow growth both of the UK market and of UK manufacture of tape recorders.

81. Imports of consumer goods generally have a share of the home market which seems reasonable, given rising incomes and a growing taste for variety. But the burden on the balance of payments (£274 million in 1964) is large. In some cases (e.g. motor cycles and tape recorders) it has been suggested that British manufacturers might have been quicker to foresee or to respond to changes in the demand pattern. Price, often linked with design and quality, and other commercial factors, is a major influence throughout the field. It seems that market research and subsequent adaptation of design and quality have sometimes been inadequate so that Britain has not manufactured enough of some of the new products that have appeared in the last decade.

## BUILDING MATERIALS

### The reasons for imports

82. Apart from timber, the value of imports is not large, but some of them have been rising fast, and some were selected for examination as examples of the large number of heterogeneous products which are not normally easily identified and studied. The main reason of general interest for rising imports is that some British manufacturers have failed to meet a demand arising from innovations quickly enough. One of these is pressed steel baths which are lighter than cast iron baths and are needed for high buildings. Capacity to make these has only recently been installed and previously they had to be imported from West Germany and Austria. A second example is pre-finished doors complete with frames and fittings, which are economical to instal. These instances show the importance of design and technical quality in the supply of builders' materials.

83. In other instances imports arise from wider policy decisions. The introduction of timber-frame industrialised house building would add to the upward trend of imports of timber for housing which are already about £75 million a year. Cheap cast iron baths and flat glass have been imported from Eastern Europe under trade agreements, but British manufacturers have had no opportunity to sell their products in Eastern Europe.

### III SUMMARY OF REASONS GIVEN FOR INCREASE IN IMPORTS

84. There is no single dominant reason to account for rising imports that applies over the whole range of manufactures.

85. *Prices and costs.* Price advantage is sometimes assumed to be the main reason for imports. And the evidence of this study is that the relationship of prices for home produced and imported goods is certainly a major factor in explaining imports of products such as many semi-manufactures and some consumer goods with fairly standard properties. Price differences do not, however, provide the main explanation in the case of machinery, a very large and fast growing category both of our imports and of world trade. This is not to say that price would not be important if the choice typically faced by a purchaser were between two machines of identical performance and design. The evidence is that this is not the typical choice and that the difference in performance often outweighs any difference there may be in price. Again, when a technically equivalent machine is available from the UK it is often cheaper than its foreign competitor.

86. Even where price is crucial, the reasons for price differences vary. In paper and board, the reduction of EFTA tariffs has made British producers vulnerable to the products with natural cost advantages of the Scandinavian countries. In textiles, the low labour costs of Far East countries have been important for cotton goods; but in some parts of the field Britain's costs have also not been competitive with those of other industrial countries and labour costs per unit of output appear to have been above the Common Market average. Uncompetitiveness in the latter case was due mainly to the use of less efficient machinery and the failure to work on a multi-shift system. In chemicals the main reason for the recent rapid rise of imports has been shortage of capacity, but this in turn has in some cases been linked with higher costs, largely related to smaller plant sizes, the technical process chosen and raw material and energy costs. In steel, price has been an important reason for imports, but this seems to be due more to price cutting by foreign exporters facing a world surplus of capacity than to cost disadvantages in the UK in comparison with competing industries overseas.

87. In the consumer goods field, the reasons for price differences varied from economies of scale (refrigerators and motor cycles) to large differences in labour costs (radio receivers and clothing from Hong Kong). But consumer goods were also imported for other reasons, such as differences in design and quality.

88. The evidence of this study should not, however, be taken to imply that changes in costs and prices in this country in relation to those in competing industrialised countries are irrelevant to the problem of improving the recent trends of imports and exports of manufactured goods and restoring the balance of payments. It has been stressed that price is an important, if not the only, factor in competitiveness over a wide range of semi-manufactures and consumer goods, although only a relatively minor factor in the capital goods field. About half our imports of semi-manufactures are probably composed of goods that

could be produced in this country\* and even production of some "non-competing" imports, for which capacity does not at present exist, might be stimulated by large changes in relative prices. In any case, consumer goods and "competing" imports of semi-manufactures alone represent an import bill of some £850 million out of a total of £5,500 million and similar exports amounted to some £2,500 million out of a total of £4,250 million in 1964.

89. *Shortage of capacity* seems to have been more important for many products during 1964 than in other recent years since 1960. This is a recurrent feature of the business cycles to which the UK economy has been subject, and it has implications for the management of demand. It is important because of the "ratchet effect"—that is, the tendency for foreign suppliers to stay in the market permanently once they have entered it, even though the original cause of their entry is temporary. Some of the products affected in the years of abnormally rapid expansion have been chemicals, paper and board, man-made fibres, steel and certain building materials. In general, engineering goods have been less affected, though there have been exceptions, such as domestic appliances in 1960, and machine tools.

90. *Technical performance* has emerged from the users' views as the decisive reason for most imports of mechanical engineering products, electronic capital goods, and scientific instruments, although some EDCs considered this point to be over-emphasised. Either a piece of equipment which does a specific job is not available at all from the UK, or there is a difference in its design characteristics which alter the economics or reliability of operating it. However, this is partly the inevitable result of specialisation accompanying the widening range of products. This stress on the importance of design is very much in line with the findings of DSIR studies over the last seven years and with those of the Report of the Fielden Committee on Industrial Engineering Design, published by the DSIR.

91. *Marketing*, in its widest sense of attitude to the market and relations with consumers, emerges as important. In some industries there seems to have been a tendency to follow the market rather than to lead it and there have been some mistakes in estimation of market trends. Similarly in textiles and clothing, except perhaps in parts of the ready-to-wear section, the British industry is said by some fabric users to have been slow in initiating or responding to fashion or design changes, partly as a result of the "horizontal" organisation of the industry. In engineering, one reason for the foreign penetration of the UK market, apart from design, seems to have been inadequate effort by the manufacturers to find out about the specific requirements of, and improvements needed by, customers and potential customers. Moreover, when the potential UK market is not large enough by itself to make the launching of a new and specialised product profitable, British manufacturers often seem less willing to think in terms of the world market than manufacturers in other countries, some of them smaller than the UK. Switzerland, for example, has had striking success in world markets with looms, marine engines and precision machine tools. Another

\* National Institute Economic Review, February 1965.

aspect of attitudes to the market is the often inadequate knowledge of the scale of imports, though this is often partly due to the classifications under which official statistics are collected and presented (e.g. for some categories of electrical engineering products, chemicals, electronics and instruments).

92. *International companies* are tending increasingly to rationalise the production of different products in different countries. This is shown to be important in chemicals, man-made fibre textiles, office machinery, electronics, bearings and electrical engineering. There is also an indirect effect when international companies manufacturing in the UK show a greater willingness to shop around the world for their capital equipment than do the national companies. Sometimes, however, imports by international companies are intended to build up a market as a preliminary to setting up a plant here.

## IV SUMMARY OF INDUSTRIES' PROPOSALS FOR ACTION

93. The suggestions made by the various industries about the action required to improve their competitiveness with imports fall into three main groups: (a) action by industry, (b) action by the Government on the domestic economy, (c) modification of some current government policies directly affecting international trade. In some cases, government departments are already considering the suggestions made.

### (a) Action by industry

94. *The importance of exploring possibilities of reducing costs* by one means or another is stressed in a number of industries—chemicals, paper and board, textiles. Inter-firm comparisons of productivity on an international and national basis may provide a key to necessary changes in some cases. Reform of traditional working methods (multi-shift working, etc.) is specifically recognised as helpful in the textiles and machine tools sectors, as well as being urged by the Machine Tools EDC as a condition for more investment in technically advanced British machine tools by the users. Examination of possibilities of rationalisation and reform of the structure of the industry to secure the benefits of specialisation and economies of scale is widely advocated. A special aspect of the scale of operation is the importance in some fields of looking to a wider market than the UK alone. This is likely to be particularly important in the case of new products and of some of those designed for rather limited and specialised uses. The chemicals industry provides examples, as does electronics. Some firms in the latter industry export well over half of their output. If more firms aimed at a wider market it would reduce imports as well as increasing exports, as the reason given for many imports is that the British market is too small to justify production here. It is this market assessment rather than weakness of technical capability which has apparently often been crucial.

95. *More attention to design and marketing*, including enlargement and improvement of the quality and status of the staffs concerned, could be important in virtually all industries; and it has been stressed by all the EDCs in the engineering and electronics fields.

96. *Research and development of new or improved products* is again of widespread importance and has several aspects. One is an exploration in detail of the possibilities of producing specific goods at present imported; and the EDCs in the chemicals, machine tools, mechanical engineering, and electronic fields are already initiating action or inviting consideration of suggested action by firms in these industries. Here trade associations could help by analysing and circulating data on imported products, possibly with help from the Department of Customs and Excise and/or Board of Trade in reclassifying statistics in some cases. They could also follow up cases in which remission of import duty is successfully claimed on the grounds of inadequate or non-existent UK production. The nationalised industries, Her Majesty's Stationery Office and other departments might make known their imports and the reasons for them.

97. The second aspect of this question is the need for greater continuing efforts to keep in touch with, and so far as possible anticipate, changes in customers' needs and tastes and technological developments in user and other related industries. Means suggested include:—

- (i) close contact between producers and customers not only individually but on an industry basis (e.g. manufacturers of textile machinery and textile producers);
- (ii) co-operative research and technical development by related industries (e.g. machine tools and electronics);
- (iii) greater efforts to explain the advantages of technically advanced equipment to customers;
- (iv) co-operation on an industry-wide or firm-to-firm basis in the testing and evaluation of non-competing products.

These suggestions have been made mainly by the engineering industries; but they may be relevant in other cases also.

98. Intensified research, development, design and marketing activity will require *increases in qualified staff*: the Machine Tools EDC has suggested that the industry should try to make and publicise estimates of its medium and long-term needs. Such efforts on the part of industry to encourage the provision of the special skills it will need could be relevant to other sectors also.

99. *Action to avoid recurrent shortages of capacity* has been recognised as important in a number of sectors. As techniques of national and industrial economic planning are developed, it should become possible to anticipate the growth of demand in some detail, and to plan productive capacity to match it more closely. The publication of long-term expenditure plans and their likely implications by the Government and the nationalised industries, together with the wider dissemination of government and private studies of trends in consumer demand, demand elasticities, investment intentions, etc., could all be helpful to most major industries. The Chemicals EDC is keeping a continuing watch on the growth of capacity and on demand trends with the aim of avoiding capacity shortages in future. Much of the action advocated above could usefully be performed or supplemented co-operatively by EDCs and trade associations.

#### *(b) The field for action by the Government—internal*

100. Some of the suggestions made above involve co-operative action by industry and the Government. Other forms of government action have also been advocated, or suggested for consideration, by one or more industries or implied in the reasons given for imports. Among those of fairly general application are:—

- (i) *General measures to encourage industrial efficiency and technological advance* including a review of incentives to investment so as to make them more readily comprehensible and more effective; special tax incentives for current expenditure on research and development; and innovation grants for the first users of a new machine or installation.

- (ii) *Management of demand.* Industry's willingness to undertake investment sufficient to avoid recurrent capacity shortages will depend heavily, particularly in the most capital-intensive branches, on confidence being established that future economic growth will be a reasonably steady process. In addition, the industrial evidence suggests that more attention might well be given to the impact of trade flows of differing methods of influencing demand pressures in the economy. There is some evidence that a tendency to concentrate such measures on particular sectors of activity, for example, motor cars and other consumer durables, may lead firms in these industries, or those supplying them with components, to be cautious in establishing capacity to meet peak demand, and to prefer to follow the trend at something below the peak levels, leaving marginal demand to be supplied by imports.
- (iii) *Improvement of official statistics.* A number of suggestions have been made for improving the presentation and coverage of official statistics to make it easier for industry to identify imports, particularly of goods which are making new inroads into the home market, and to compare imports of them with total domestic consumption or production. In fact, the Department of Customs and Excise is willing to provide extra details of particular sectors, where available from its basic classifications of trade, at relatively small cost. There is also a Revising Committee in the Board of Trade which considers, on the basis of representations from industry, annual revisions to the headings in the Trade and Navigation Accounts (subject, of course, to maintaining conformity with the basic Standard International Trade Classification).
- (iv) *Review of the pricing policies of nationalised industries,* particularly of electricity and other fuels, has been suggested by some industries that felt themselves at a disadvantage compared with their competitors abroad.

101. *The use of government purchases and development contracts* to stimulate rapid technological development and production and use of the most advanced equipment has been advocated by the Machine Tools and Electronics EDCs and by the Scientific Instrument Manufacturers Association. The Government and nationalised industries should not be pressed to "Buy British" to the sacrifice of quality and cheapness; but they could take the initiative in pressing their suppliers to produce goods for them which compete effectively with imports in terms of technical quality and design. Public purchasing might also be directed towards encouraging standardisation in areas where this will reduce costs significantly and facilitate international competitiveness. Where public authorities set standards for their purchases, these should so far as possible make it easier rather than more difficult for the producer to sell also in international markets.

102. It is claimed by machinery and plant makers that the present arrangements for remission of import duty on products not available in significant quantity from home production tend to discourage manufacture in the UK of equipment at present imported. UK users have the benefits of a concession

which is not found on any scale elsewhere, and which has become less justifiable as the incidence of tariffs has been reduced. The system is seen as leading to conflicts between producers and users in individual cases, which are wasteful of energy of higher management and inimical to good relations between producer and customers. This is, however, a matter on which a considerable difference of view between producers and users is inevitable. The present system does not in fact permit duty remission if a UK manufacturer can undertake to supply within two years. On machine tools, duty remission was abolished some years ago, the change being associated with a reduction in tariffs to 10 per cent. A good case can be made out for a close examination of the merits and demerits of the present system of duty remission on other engineering products. This was last revised in 1954 when the imports of plant and machinery were small.

103. *International companies* have been mentioned as a reason for the growth of imports, particularly in the electrical engineering, electronics and office machinery fields and also for some imports of chemicals. An "international company" is here defined to mean a company which has manufacturing plant in more than one country. When a company of this kind makes more than one product, it tends to rationalise its operations by concentrating the manufacture of each product in one country where practicable.

104. Some idea of the quantitative importance of international companies is given by the fact that export sales of the affiliates of US companies apparently now account for approximately 10 per cent of all exports of manufactured goods by countries other than the United States.\* As international companies produce in one country very often with the idea of supplying a market that is wider than that country, they tend to have a very high proportion of exports in their turnover. The American companies in Scotland are reported to export 45 per cent of their output.

105. The Board of Trade already seek to attract foreign companies to set up manufacturing plant in this country, and there is the British Industrial Development Office in New York, whose specific function is to help and encourage potential North American direct investments in this country. In addition, there might be advantage in watching the operations of all international companies which sell heavily in Britain and, in particular, the net effect of their operations on the UK's visible balance of trade. Means might be sought to encourage such firms to manufacture in this country and also to set up design and development teams here. A similar policy is already operated by the Ministry of Power towards oil companies, which are encouraged to set up refineries here, sometimes in conjunction with other companies if their sales are too small. One advantage of such a policy applied more generally to manufacturing industry would derive from the fact that the establishment of foreign companies in this country increases the amount of managerial and technical talent available. Again, these international companies seem to be more responsive to the kind of financial inducement offered for investing in development districts than the average British company, though the Board of Trade have no figures to demonstrate this.

\* In 1963 sales of those companies were almost 15 per cent of the estimated output of manufacturing industry in the UK (on a net of duplication basis).

(c) The field for government action—external

106. The suggestions emanating from the industrial inquiries for government action in the field of external policy are concentrated on tariff and quota protection and anti-dumping measures. A number of industries are particularly interested in securing the more effective use of anti-dumping legislation. One problem to which attention is drawn is that the examination of any application for anti-dumping action takes time and that by the time both dumping and "material injury" to the domestic industry have been proved, as is required by the GATT rules, serious damage may already have been done. This suggests that consideration might be given to amending the existing legislation so as to give the Board of Trade wider power to impose provisional anti-dumping duties in appropriate cases. A point made by the steel industry is that, in assessing "material injury" regard should be had to whether there is unused capacity in this country to supply products, provided that the domestic prices are below those at which imports can be sold without dumping. The Board of Trade would accept that this is a factor for consideration in appropriate cases, but some large exporting industries might fear damage to their export trade if such criteria were applied over the whole range of industry in any automatic way.

107. Other suggestions in the commercial policy field also reflect long-standing views of the industries concerned. They include continuing limitation of low-cost imports of textiles and some other goods from developing countries and Japan, and specific tariff revisions or quota protection for some other sectors. Some of these contend that the UK tariff on certain products is low in relation to rates elsewhere, for example, plastic materials whose case is already under discussion with the Board of Trade. Others hold that certain branches of industry are threatened with extinction if present policies continue, for example, those branches of the paper and board industry which are marginally uncompetitive with their counterparts in the other EFTA countries.

108. From this study it is clear that the growth in imports of manufactured goods has come about through a variety of causes, some affecting broad sectors of industry, others of more specific application. The proposals for action are correspondingly varied, not all are equally valuable and some will be recognised as pleas of long standing. It was stressed at the beginning of this report that as its subject was one of the weaknesses of the economy its tone would inevitably be pessimistic. It is hoped that by thus emphasising the serious nature of the import position the report will help towards bringing about the developments which will be helpful to the balance of trade, and in many cases will assist the expansion of exports as well as the more successful competition with imports.

APPENDIX TABLE I  
*Imports of manufactures as a percentage of total imports \**

	UK	Germany	France	Italy	Netherlands	Belgium Luxembourg	Sweden	US	Canada
1957 ..	16.1	20.6	22.4	23.5	41.9	41.4	48.5	27.8	59.3
1958 ..	18.2	26.6	22.5	25.2	42.9	44.2	52.7	30.5	61.7
1959 ..	20.3	30.0	24.4	27.2	44.9	46.2	53.1	34.5	63.9
1960 ..	25.4	37.5	33.5	35.3	53.8	49.7	60.3	38.6	69.0
1961 ..	26.2	35.8	37.7	40.2	55.5	51.3	61.3	38.0	69.3
1962 ..	26.8	38.3	41.3	43.2	56.7	53.1	62.6	39.7	69.0
1963 ..	27.7	38.3	43.3	44.0	58.6	54.6	62.7	40.7	66.9
<i>Imports of manufactures as a percentage of exports of manufactures *</i>									
1957 ..	29.8	24.3	50.8	57.8	132.3	94.5	113.3	31.5	215.3
1958 ..	28.6	28.8	43.9	50.9	109.8	91.5	112.6	35.9	204.1
1959 ..	32.3	33.7	37.8	49.4	106.8	92.5	108.3	48.5	225.0
1960 ..	40.4	38.4	42.5	62.6	119.9	71.5	111.9	46.2	214.8
1961 ..	38.9	36.8	49.5	67.6	132.8	102.0	102.4	43.9	216.3
1962 ..	39.7	40.9	57.1	75.4	131.4	105.2	100.2	48.0	208.9
1963 ..	41.1	39.4	66.2	86.6	135.4	108.3	99.2	49.3	191.7

\* Non-ferrous metals are excluded in both tables.

N.B. Because of the change in the SIT classification between 1959 and 1960, the figures for the first three years are not exactly comparable with the figures from 1960 onwards.

Sources: Percentages derived from figures in OECD and UN publications on foreign trade.

APPENDIX TABLE 2

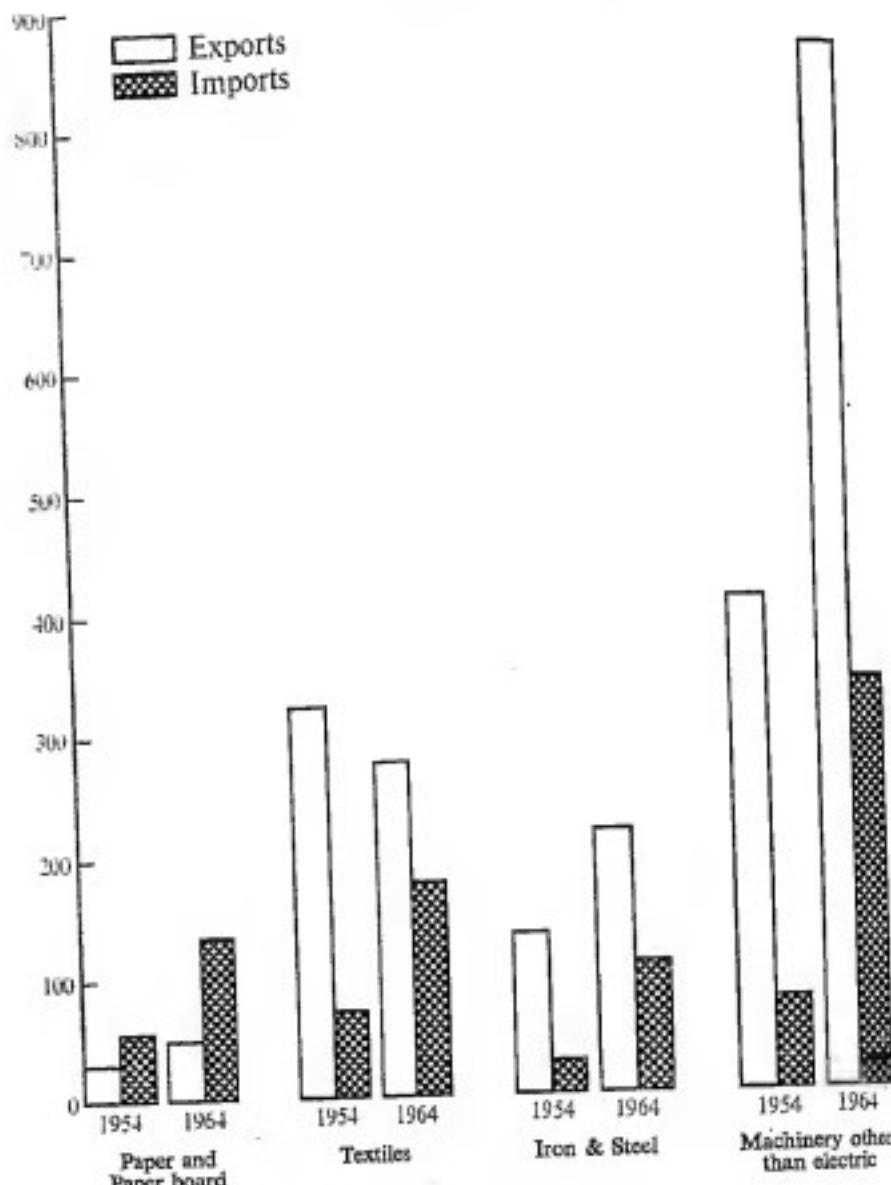
*Rates of change on imports and exports and changes in import/export relationships, 1954 and 1964 (by value)*

SITC		Average compound rates of change between 1954/5 and 1963/4		Imports as a % of exports	
		Imports	Exports	1954	1964
5.	<i>Chemicals</i> .. .. .. ..	8.5	6.6	51	61
61.	Leather, leather manufactures, n.e.s., and dressed fur skins .. ..	3.4	6.0	124	100
62.	Rubber manufactures, n.e.s.. ..	21.0	4.2	4	24
63.	Wood and cork manufactures (excluding furniture) .. .. ..	4.7	8.2	1360	1133
64.	Paper, paperboard and manufactures thereof .. .. ..	7.5	3.4	170	274
65.	Textiles, yarn, fabrics, made up articles and related products .. ..	9.1	-1.9	22	64
66.	Non-metallic mineral manufactures, n.e.s. .. .. ..	14.0	1.4	13	40
67.	Iron and steel .. .. ..	4.1	4.2	21	49
69.	Manufactures of metal, n.e.s.. ..	17.0	3.0	7	27
	<i>Total, Section 6</i> .. .. ..	7.5	1.4	32	70
71.	Machinery other than electric ..	15.0	8.1	18	39
72.	Electrical machinery apparatus and appliances .. .. ..	20.0	6.1	9	37
73.	Transport equipment .. .. ..	11.0	4.8	7	14
	<i>Total, Section 7</i> .. .. ..	15.0	6.5	12	30
81.	Sanitary, plumbing, heating and lighting fixtures and fittings .. ..	17.0	-0.9	12	55
82.	Furniture .. .. ..	19.0	4.7	17	66
83.	Travel goods, handbags and similar articles .. .. ..	26.0	7.6*	43†	139
84.	Clothing, knitted or crocheted articles including elastic or ribbonised fabric and articles of fur .. ..	23.0	2.9*	37†	168
85.	Footwear, garters and the like ..	16.0	2.4*	56†	166
86.	Professional, scientific and controlling instruments, photographic and optical goods, watches and clocks..	18.0	12.0	41	75
89.	Miscellaneous manufactured articles, n.e.s. .. .. ..	19.0	8.2	32	78
	<i>Total, Section 8</i> .. .. ..	20.0	6.8	31	93
	<i>Total Manufactures</i> .. .. ..	11.0	5.1	24	50

\*1955/6 to 1963/4

†1955

Exports (f.o.b.) and imports (c.i.f.) of



[64]

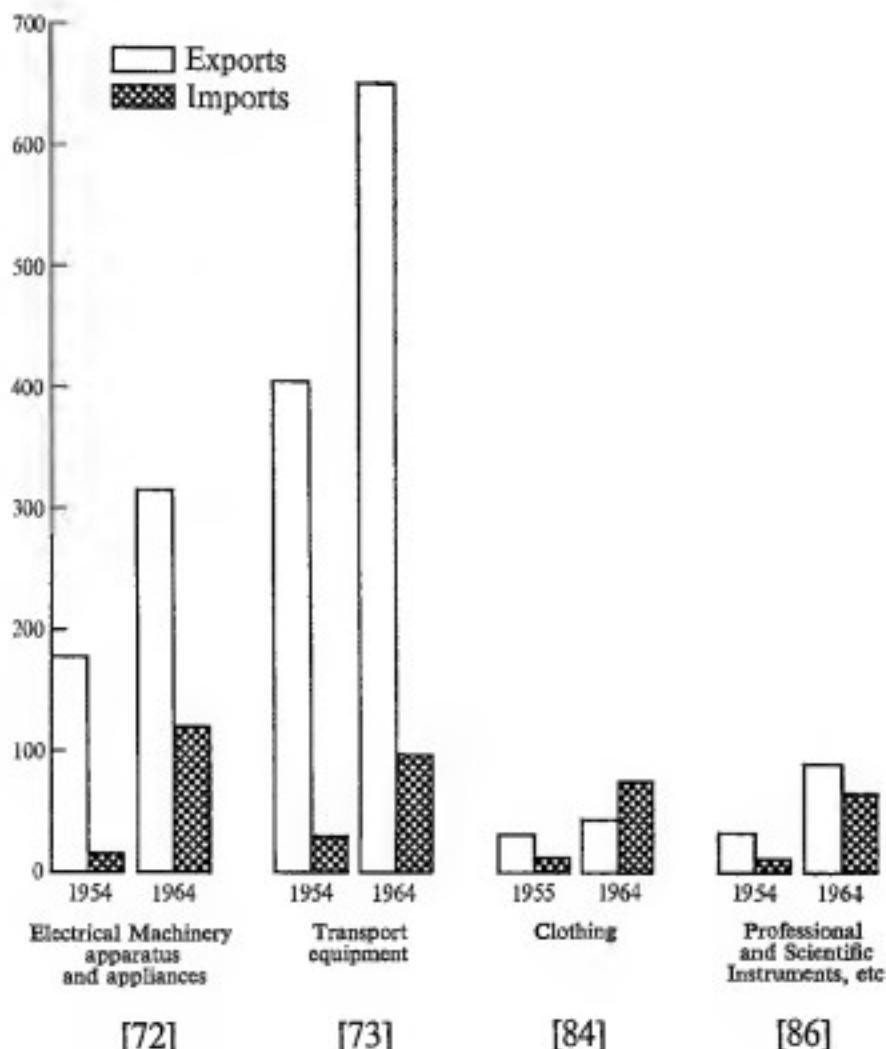
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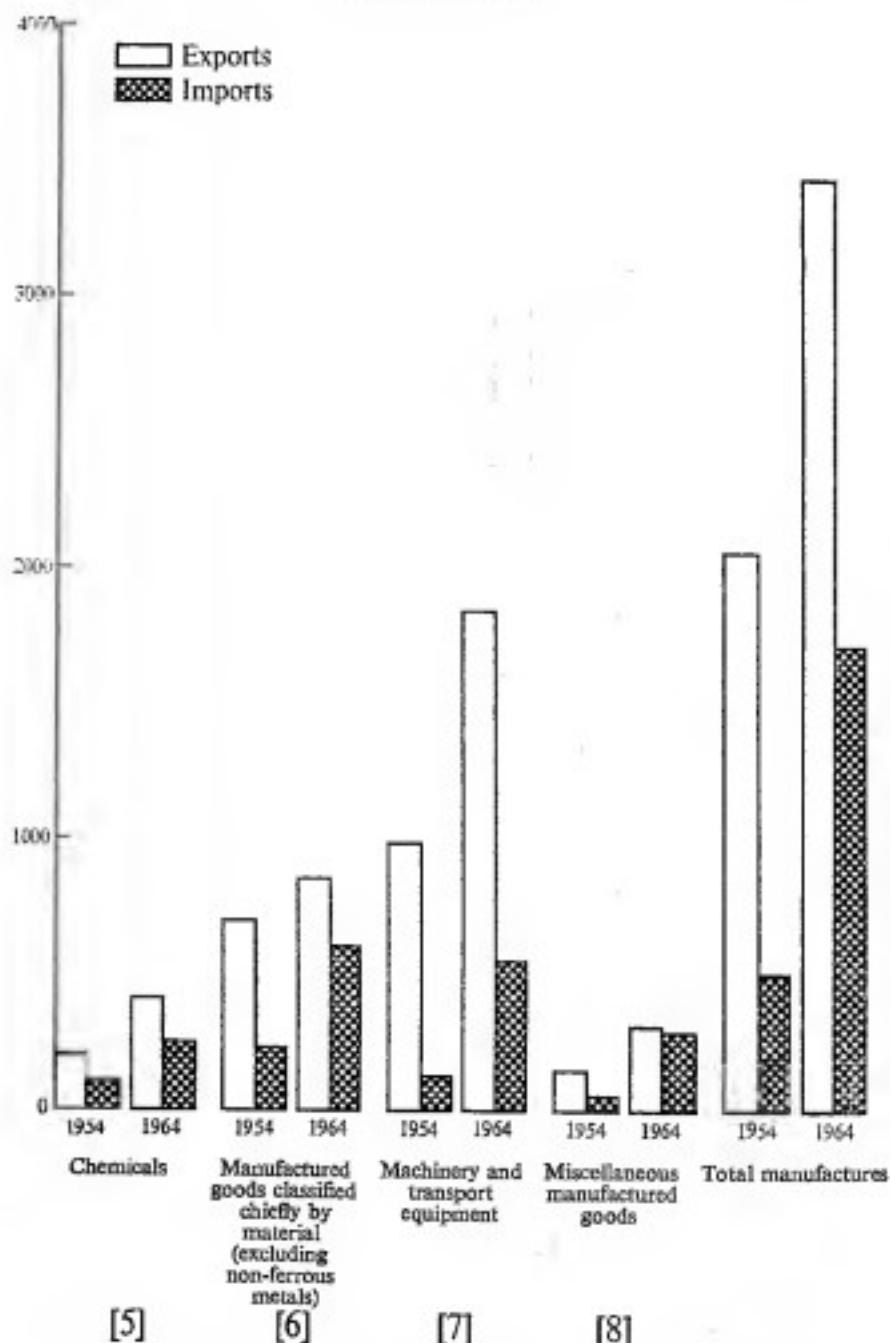
Note: Numbers in square brackets

**selected manufactured commodities in 1954 and 1964**



refer to S.I.T. classification

**Exports (f.o.b.) and imports (c.i.f.) of manufactures in  
1954 and 1964**



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